



# INTERNAL AUDIT DEPARTMENT



**Internal Control Audit:  
OC Waste & Recycling  
Cash Disbursements & Payables**

**For the Year Ended June 30, 2024**

**Audit No. 2406  
Report Date: March 27, 2025**

## Number of Recommendations

**0**

**Critical Control  
Weaknesses**

**0**

**Significant Control  
Weaknesses**

**4**

**Control Findings**

## OC Board of Supervisors

CHAIR DOUG CHAFFEE  
4th DISTRICT

VICE CHAIR KATRINA FOLEY  
5th DISTRICT

SUPERVISOR JANET NGUYEN  
1st DISTRICT

SUPERVISOR VICENTE SARMIENTO  
2nd DISTRICT

SUPERVISOR DONALD P. WAGNER  
3rd DISTRICT



# INTERNAL AUDIT DEPARTMENT

Internal Control Audit:  
OC Waste & Recycling Cash Disbursements & Payables

March 27, 2025

## AUDIT HIGHLIGHTS

SCOPE OF WORK	Perform an internal control audit of OC Waste & Recycling's (OCWR) Cash Disbursements & Payables for the year ended June 30, 2024.
RESULTS	<ul style="list-style-type: none"> <li>OCWR's internal control over the cash disbursements and payables process was generally effective to ensure transactions are accurate, adequately supported, processed timely, properly recorded, and authorized in compliance with County and departmental policy.</li> <li>OCWR's disbursements and payables process is generally efficient.</li> </ul>
RISKS IDENTIFIED	<p>As a result of our findings, potential risks include:</p> <ul style="list-style-type: none"> <li>Negative impact to County's relationships with vendors and operational inefficiency.</li> <li>Inconsistent procedures and inability to continue business operations in the event of an emergency or other system disruption.</li> <li>Undetected control weaknesses.</li> <li>Inconsistent practices, lack of accountability, and unauthorized access to the safe.</li> </ul>
NUMBER OF RECOMMENDATIONS	<p>Opportunities for enhancing internal control include:</p> <ul style="list-style-type: none"> <li>Ensuring invoices are paid timely.</li> </ul>
0	<p>CRITICAL CONTROL WEAKNESSES</p> <ul style="list-style-type: none"> <li>Establishing a written business continuity plan including detailed procedures for cash disbursements and payables.</li> </ul>
0	<p>SIGNIFICANT CONTROL WEAKNESSES</p> <ul style="list-style-type: none"> <li>Enhancing monitoring activities by expanding and documenting performance of ongoing and separate evaluations of cash disbursements and payables controls.</li> </ul>
4	<p>CONTROL FINDINGS</p> <ul style="list-style-type: none"> <li>Enhancing policies and procedures to include changing safe combinations, collecting keys from separated staff, and maintaining written record of keyholders.</li> </ul>

Report suspected fraud, or misuse of County resources by vendors, contractors, or County employees to 714-834-3608



## INTERNAL AUDIT DEPARTMENT

---

Audit No. 2406

March 27, 2025

To: Tom Koutroulis  
OC Waste & Recycling Director

From: Aggie Alonso, CPA, CIA, CRMA  
Internal Audit Department Director

Digitally signed by Agripino  
Alonso  
Date: 2025.03.27 12:25:24  
-07'00'

Subject: Internal Control Audit: OC Waste & Recycling Cash Disbursements & Payables

---

We have completed an internal control audit of OC Waste & Recycling's (OCWR) Cash Disbursements & Payables for the year ended June 30, 2024. Details of our results and recommendations immediately follow this letter. Additional information including background and our objectives, scope, and methodology is included in Appendix A.

OCWR concurred with all our recommendations and the Internal Audit Department considers management's response appropriate to the recommendations in this report.

We will include the results of this audit in a future status report submitted quarterly to the Audit Oversight Committee and the Board of Supervisors. In addition, we will request your department complete a Customer Survey of Audit Services, which you will receive shortly after the distribution of our final report.

We appreciate the courtesy extended to us by OCWR personnel during our audit. If you have any questions regarding our audit, please contact me at (714) 834-5442 or Deputy Director Jose Olivo at (714) 834-5509.

### Attachments

#### Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- County Executive Office Distribution
- OC Waste & Recycling Distribution
- Auditor-Controller Satellite Accounting Operations Distribution
- Robin Stieler, Clerk of the Board
- Foreperson, Grand Jury
- Eide Bailly LLP, County External Auditor

# INTERNAL AUDIT DEPARTMENT

## RESULTS

<b>BUSINESS PROCESS &amp; INTERNAL CONTROL STRENGTHS</b>	<p>Business process and internal control strengths noted during our audit include:</p> <ul style="list-style-type: none"> <li>✓ OCWR maintains policies and procedures for their cash disbursement and payables process.</li> <li>✓ Accounts Payable (AP) staff date-stamp invoices upon receipt.</li> <li>✓ The AP supervisor performs documented invoice reviews.</li> <li>✓ Duties over the disbursement process are adequately segregated.</li> <li>✓ AP staff do not upload any supporting documents with Personally Identifiable Information to the County's requisition or accounting systems.</li> <li>✓ Only authorized staff pick up will call checks.</li> </ul>
<b>FINDING NO. 1</b>	<p><b>Timely Invoice Processing</b></p> <p>OCWR's aging report for outstanding invoices indicates a significant backlog of invoices caused by delays in communication and resolution between program staff and vendors. We noted over 200 invoices have been outstanding for more than the contract or invoice payment terms with the oldest invoice outstanding for 560+ days.</p>
<b>CATEGORY</b>	<p><b>Control Finding</b></p>
<b>RISK</b>	<p>Not resolving discrepancies in a timely manner could result in procurement inefficiencies and late payments that can negatively affect vendor relationships with the County.</p>
<b>RECOMMENDATION</b>	<p>OCWR management ensure invoices are paid within a reasonable timeframe and that justification is documented for any invoice payment delays.</p>
<b>MANAGEMENT RESPONSE</b>	<p><b>Concur.</b> OC Waste &amp; Recycling will strive to pay invoices within the stated contract payment terms. However, if the original invoice received is not correct and will therefore cause a delay in the payment of the invoice, OC Waste &amp; Recycling will document this instance on Expediter. Secondly, OC Waste and Recycling will strengthen vendor invoice issue resolution framework with the Accounts Payable Unit and increase collaboration with Procurement with non-responsive vendors. Third, OC Waste &amp; Recycling will remind staff involved in the process of their responsibilities and general timeline on processing. On a weekly basis, the Accounts Payable Supervisor will send out a report of any Acknowledgements of Receipts (AORs)/Standing Contracts pending actions for 5 business days. OC Waste &amp; Recycling plans to complete implementation of the changes by September 2025.</p>



# INTERNAL AUDIT DEPARTMENT

<b>FINDING NO. 2</b>	<b>Business Continuity Plan</b> OCWR currently has a Business Continuity and Disaster Recovery (BCDR) plan. However, it does not provide detailed procedures on cash disbursements and payables operations. The BCDR plan also referenced a manager who is no longer with the department.
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RISK</b>	Not having a written business continuity plan could result in inconsistent procedures being followed and/or impact the ability to continue business operations in the event of an emergency or other disruption.
<b>RECOMMENDATION</b>	OCWR management ensure the business continuity plan is updated and includes detailed procedures for the cash disbursements and payables process in the event of an emergency or other disruption.
<b>MANAGEMENT RESPONSE</b>	<b>Concur.</b> Recommendation has been implemented. OC Waste & Recycling has updated the Business Continuity and Disaster Recovery (BCDR) Plan. The Department has also created a Business Continuity Plan for a Manual Disbursement Process as of March 2025 to include procedures on how to handle the cash disbursements and payables process in the event of an emergency or other disruption.

<b>FINDING NO. 3</b>	<b>Monitoring Activities</b> The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework adopted by the County requires ongoing monitoring activities, including conducting evaluations to ascertain whether the components of internal control are present and functioning.  OCWR has control activities for their cash disbursements and payables operations (e.g., documented reviews and segregation of duties) and performs limited separate evaluations of those controls, such as monitoring unpaid invoices over 30 days and disbursements in the financial system. However, ongoing and separate evaluations should be formalized and expanded to ensure all critical control activities are appropriately monitored.
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RISK</b>	Not performing ongoing and separate evaluations of internal controls could lead to inconsistent practices and undetected control weaknesses.
<b>RECOMMENDATION</b>	OCWR management enhance monitoring activities by expanding and documenting its performance of ongoing and separate evaluations of cash disbursements and payables controls.
<b>MANAGEMENT RESPONSE</b>	<b>Concur.</b> OC Waste & Recycling has created a policy and procedure for Monitoring Activities on Disbursement and has plans to implement this by September 2025.



# INTERNAL AUDIT DEPARTMENT

<b>FINDING NO. 4</b>	<p><b>Policies and Procedures for Safe Access</b></p> <p>OCWR's policies and procedures do not include details of their current practices related to the safe where checks are stored, such as changing the safe combination and the collection of keys from separated or transferred staff. In addition, the department does not maintain a written record of safe keyholders.</p>
<b>CATEGORY</b>	<b>Control Finding</b>
<b>RISK</b>	Not having current policies and procedures could result in inconsistent practices and lack of accountability. Failure to periodically change the safe combination, collect keys upon staff separation, and maintain a list of keyholders could result in unauthorized access to the safe.
<b>RECOMMENDATION</b>	OCWR management enhance policies and procedures to include current practices related to safe access including periodically changing safe combinations, collecting keys from separated staff, and maintaining written record of keyholders.
<b>MANAGEMENT RESPONSE</b>	<b>Concur.</b> Recommendation has been implemented. OC Waste & Recycling Accounting has updated its policies and procedures as of February 2025 to address internal controls over safe access, changing of safe combinations, collecting keys from separated staff, and maintaining a written record of keyholders.

<b>AUDIT TEAM</b>	<p>Michael Dean, CPA, CIA, CISA          Daniel Ortiz, CPA          Tina Dinh          Mary Ann Cosep          Gabriela Cabrera, CIA</p>	<p>Assistant Deputy Director          Audit Manager          Lead Senior Auditor          Senior Auditor          Administrative Services Manager</p>
-------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------



# INTERNAL AUDIT DEPARTMENT

## APPENDIX A: ADDITIONAL INFORMATION

<b>OBJECTIVES</b>	<p>Our audit objectives were to:</p> <ol style="list-style-type: none"><li>1. Evaluate the effectiveness of internal controls over cash disbursements and payables to ensure transactions are accurate, adequately supported, processed timely, properly recorded, and authorized in compliance with County and departmental policy.</li><li>2. Review the cash disbursements and payables process for efficiency.</li></ol>
<b>SCOPE &amp; METHODOLOGY</b>	<p>Our audit scope was limited to internal controls over OC Waste &amp; Recycling's (OCWR) cash disbursements and payables process for the year ended June 30, 2024. Our methodology included inquiry, observation, examination of documentation, and testing of relevant transactions.</p>
<b>EXCLUSIONS</b>	<p>Our audit scope did not include a review of:</p> <ul style="list-style-type: none"><li>• Mileage and Other Expense Reimbursements or the Educational &amp; Professional Reimbursement Program.</li><li>• Disbursements made for revolving funds and payroll.</li><li>• Inventory counts to verify receipt of goods.</li></ul>
<b>PRIOR AUDIT COVERAGE</b>	<p>We have not issued any audit reports for OCWR with a similar scope within the last ten years.</p>



# INTERNAL AUDIT DEPARTMENT

## BACKGROUND

OCWR manages one of the nation's premier solid waste disposal systems, serving residents and businesses in the County's 34 cities and unincorporated areas.

OCWR accounts payable staff receive invoices either electronically or by mail. Staff enter invoice information in the County's purchasing system. They review the invoice against the contract, request an acknowledgment of receipt for goods and services received, and then route the invoice for payment approval. Staff then create a payment request through the County's accounting system, verify information is correct, include supporting documentation, and submit to process the payment.

For the year ended June 30, 2024, OCWR disbursed the following amounts:

Reporting Description	Amount	% of Total
<b>South Region</b>	56,621,189	34.57%
<b>Central Region</b>	52,662,975	32.15%
<b>North Region</b>	30,264,807	18.48%
<b>Business Services &amp; External Affairs</b>	19,168,815	11.70%
<b>Compliance Support</b>	5,029,107	3.07%
<b>Director</b>	50,858	0.03%
<b>Total</b>	<b>163,797,751</b>	<b>100%</b>

Source: County's Accounting Data System





# INTERNAL AUDIT DEPARTMENT

<b>PURPOSE &amp; AUTHORITY</b>	We performed this audit in accordance with the FY 2024-25 Audit Plan and Risk Assessment approved by the Audit Oversight Committee (AOC) and Board of Supervisors (Board).
<b>PROFESSIONAL STANDARDS</b>	Our audit was conducted in conformance with the Global Internal Audit Standards issued by the International Internal Audit Standards Board.
<b>FOLLOW-UP PROCESS</b>	<p>In accordance with professional standards, the Internal Audit Department has a process to follow-up on its recommendations. A first follow-up audit will generally begin six months after release of the initial report.</p> <p>The AOC and Board expect that audit recommendations will typically be implemented within six months or sooner for significant and higher risk issues. A second follow-up audit will generally begin six months after release of the first follow-up audit report, by which time all audit recommendations are expected to be implemented. Any audit recommendations not implemented after the second follow-up audit will be brought to the attention of the AOC at its next scheduled meeting.</p> <p>A Follow-Up Audit Report Form is attached and is required to be returned to the Internal Audit Department approximately six months from the date of this report in order to facilitate the follow-up audit process.</p>
<b>MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL</b>	In accordance with the Auditor-Controller's County Accounting Manual Section S-2 Internal Control Systems: "All County departments shall establish effective internal controls as department management is responsible for internal control. Department management shall also continuously assess and strengthen internal control by evaluating internal control systems and promptly correcting weaknesses when detected." The criteria for evaluating internal control is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our audit enhances and complements, but does not substitute for department management's continuing emphasis on control activities and monitoring of control risks.
<b>INTERNAL CONTROL LIMITATIONS</b>	Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the department's operating procedures, accounting practices, and compliance with County policy.



# INTERNAL AUDIT DEPARTMENT

## APPENDIX B: FINDING TYPE CLASSIFICATION

Critical Control Weakness	Significant Control Weakness	Control Finding
<p>These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address <b>Critical Control Weaknesses</b> brought to its attention immediately.</p>	<p>These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. <b>Significant Control Weaknesses</b> require prompt corrective actions.</p>	<p>These are audit findings concerning the effectiveness of internal control, compliance issues, or efficiency issues that require management's corrective action to implement or enhance processes and internal control. <b>Control Findings</b> are expected to be addressed within our follow-up process of six months, but no later than twelve months.</p>



## APPENDIX C: OC WASTE & RECYCLING MANAGEMENT RESPONSE



Thomas D. Koutroulis, Director  
601 N. Ross Street, 5<sup>th</sup> Floor  
Santa Ana, CA 92701

[www.oclandfills.com](http://www.oclandfills.com)  
Telephone: (714) 834-4000  
Fax: (714) 834-4183

March 25, 2025

**TO:** Aggie Alonso, CPA, CIA, CRMA  
Internal Audit Department Director

**SUBJECT:** Response – Audit No. 2406: OC Waste & Recycling Cash Disbursements & Payables

OC Waste & Recycling (OCWR) has received the draft report of the Internal Control Audit of Cash Disbursements and Payables for the year ended June 30, 2024, Audit No. 2406. As requested, the following narrative summarizes the four (4) control findings and responses from OCWR's Management.

### **FINDING NO. 1 – Timely Invoice Processing**

#### Recommendation:

OCWR management ensure invoices are paid within a reasonable timeframe and that justification is documented for any invoice payment delays.

#### OCWR Management Response:

Concur. OC Waste & Recycling will strive to pay invoices within the stated contract payment terms. However, if the original invoice received is not correct and will therefore cause a delay in the payment of the invoice, OC Waste & Recycling will document this instance on Expediter. Secondly, OC Waste and Recycling will strengthen vendor invoice issue resolution framework with the Accounts Payable Unit and increase collaboration with Procurement with non-responsive vendors. Third, OC Waste & Recycling will remind staff involved in the process of their responsibilities and general timeline on processing. On a weekly basis, the Accounts Payable Supervisor will send out a report of any Acknowledgements of Receipts (AORs)/Standing Contracts pending actions for 5 business days. OC Waste & Recycling plans to complete implementation of the changes by September 2025.

### **FINDING NO. 2 – Business Continuity Plan**

#### Recommendation:

OCWR management ensure the business continuity plan is updated and includes detailed procedures for the cash disbursements and payables process in the event of an emergency or other disruption.

#### OCWR Management Response:

Concur – Recommendation has been implemented. OC Waste & Recycling has updated the Business Continuity and Disaster Recovery (BCDR) Plan. The Department has also created a Business Continuity Plan for a Manual Disbursement Process as of March 2025 to include procedures on how to handle the cash disbursements and payables process in the event of an emergency or other disruption.

# INTERNAL AUDIT DEPARTMENT

## **FINDING NO. 3 – Monitoring Activities**

### Recommendation:

OCWR management enhance monitoring activities by expanding and documenting its performance of ongoing and separate evaluations of cash disbursements and payables controls.

### OCWR Management Response:

Concur. OC Waste & Recycling has created a policy and procedure for Monitoring Activities on Disbursement and has plans to implement this by September 2025.

## **FINDING NO. 4 – Policies and Procedures for Safe Access**

### Recommendation:

OCWR management enhance policies and procedures to include current practices related to safe access including periodically changing safe combinations, collecting keys from separated staff, and maintaining written record of keyholders.

### OCWR Management Response:

Concur – Recommendation has been implemented. OC Waste & Recycling Accounting has updated its policies and procedures as of February 2025 to address internal controls over safe access, changing of safe combinations, collecting keys from separated staff, and maintaining a written record of keyholders.

OC Waste and Recycling appreciates the collaborative approach taken by Internal Audit in drafting the audit report and the courtesy extended to staff involved. Should you have any further questions, please contact Fatima Son, Accounting Manager, at (714) 834-4135.

Thank you.



Tom Koutroulis, OCWR Director

cc: Michelle Aguirre, Acting County Executive Officer  
Lisa Fernandez, Performance Management and Policy Director, County Executive Office  
Michael Dean, Senior Audit Manager, Internal Audit Department  
Lisa Smith, Deputy Director, Business Services and External Affairs, OCWR  
Fatima Son, OCWR Accounting Manager, Auditor-Controller  
Jo Anne Taylor, Business Operations and Contracts, OCWR

